27 November 2020

Morses Club PLC
Preliminary results for the 53 weeks ended 29 February 2020

Morses Club PLC ("the Company" or "the Group"), an established provider of non-standard financial services, is pleased to announce its preliminary results for the 53 weeks ended 29 February 2020.

Financial Highlights:

- Revenue increased by 14.3% to £133.7m (FY19: £117.0m)
- Total credit issued to HCC customers was 2.2% lower at £174.2m (FY19: £178.1m). Total credit issued to all customers of £190.3m
- Net loan book, after Covid-19 adjustment of £1.7m, reduced 0.3% to £72.8m
- Normalised adjusted profit before tax[1] of £15.5m (FY19: £22.0m)
- Statutory profit before tax of £11.5m (FY19: £20.2m)
- Normalised adjusted HCC profit before tax[1] of £24.5m, an increase of 8.9% (FY19: £22.5m)
- Statutory HCC profit before tax £21.2m is an increase of 2.4% (FY19: £20.7m)
- Normalised adjusted loss before tax[1] in Digital division of (£9.0m) as a result of enhancing scale and capability of recent acquisitions (FY19: (£0.5m))
- Statutory loss before tax in Digital division (£9.7m) (FY19: (£0.5m))
- Impairment as a percentage of revenue for the period, before the Covid-19 adjustment of £1.7m, was 26.0% (FY19: 22.4%)
- HCC normalised adjusted return on assets[1] of 31.1% (FY19: 25.4%)
- Normalised adjusted EPS[1] of 9.5p (FY19: 13.6p)
- Statutory EPS of 7.3p (FY19: 12.5p)
- Post balance sheet event estimated negative impact of Covid-19 (£5.2m) (FY19:£nil)
- No staff furloughed nor any Government debt or other support packages accepted
- Proposed final dividend of 1.0 pence per share (FY19: 5.2p) taking the total dividend for the year to 3.6p (FY19: 7.8p)

Operational Highlights:

- Group customer numbers increased by 9.0% to 255,000 (FY19: 234,000)
- Development and launch of fully online Customer Portal, with over 78,000 customers at end FY20 (FY19: nil)
- Acquisition of the business and certain assets of CURO Transatlantic Limited, an online lender, with 37,000 customers, operating under the Dot Dot Loans brand
- Acquisition of U Holdings Limited, an e-money current account provider, with 18,000 customers, operating under the U Account brand
- Commenced re-engineering of our online businesses to build our product offering and take advantage of the opportunity in the wider non-standard credit market
- Delivering further technology enhancements in our HCC business to provide a digital service to customers enabling a virtually paperless documentation process
- Due to Covid-19, reconfigured our lending, collecting and operating processes to ensure the safety of our customers, employees and agents

Alternative Performance Measures & Key Performance Indicators

Key performance indicators	53-week period ended 29 February 2020	52-week period ended 23 February 2019	% +/-
Revenue	£133.7m	£117.0m	14.3%
Net Loan Book	£72.8m	£73.0m	(0.3%)
Normalised adjusted Profit Before Tax[1]	£15.5m	£22.0m	(29.5%)
Statutory Profit Before Tax	£11.5m	£20.2m	(43.1%)
Normalised adjusted Earnings per Share[1]	9.5p	13.6p	(30.1%)
Basic Earnings per Share	7.3p	12.5p	(41.6%)
Proposed Dividend per Share	3.6p	7.8p	(53.8%)
Cost / Income ratio[1]	60.0%	57.3%	4.7%
Return on Assets	12.8%	23.4%	(45.3%)
Normalised Return on Assets	16.6%	25.4%	(34.6%)
Return on Equity	17.2%	27.2%	(36.8%)
Normalised Return on Equity	22.3%	29.6%	(24.7%)
Tangible Equity / average receivables[1]	74.4%	85.9%	(13.4%)
No of customers (000's)	255	234	9.0%
Number of agents	1,695	2,050	(17.3%)
Total Credit Issued	£190.3m	£178.5m	6.6%
Impairment as % of Revenue	27.2%	22.4%	21.4%

[1] Definitions are set out in the Glossary of Alternative Performance Measures in Morses Club's 2020 Annual Report

Paul Smith, Chief Executive Officer of Morses Club, commented:

"FY20 was a year of significant regulatory and operational change for Morses Club, with the Company making considerable progress in advancing its strategy, particularly in the development of the Digital division. HCC remained stable during the year while maintaining strong customer satisfaction levels of 97%. The launch of our online customer portal exemplified the strong progress made in terms of our customer service and digitalisation, with over 78,000 customers registered on the platform by year end, and over 117,000 customers now registered to date.

"The acquisitions of the business and certain assets of CURO Transatlantic Limited and U Holdings Limited enhanced our offering across online loans and digital current accounts. While the division's losses due to the ongoing re-engineering of the businesses were slightly higher than anticipated, Morses Club is confident that the resulting offering will position the Group well to take market share in the online non-standard current account and credit space. The Digital division is on track to report a break-even position during FY22.

"Since the impact of Covid-19 on our markets, I have been impressed by the resilience and adaptability of the Group during a period of unprecedented change. The way in which we were able to quickly implement wide-ranging operational changes and leverage our platform to continue to lend to customers is testament to the dedication of our employees and agents, and the customer-centric culture we strive for at Morses Club. It has also been pleasing to see the acceleration of the digitalisation of the Group as a result of Covid-19, with demand for our digital products increasing since the first national lockdown in March.

"With the progress made last year, our strategy remains to focus on our customers, leverage and progress our digital capabilities and drive market share growth within the wider non-standard finance market. Morses Club is financially robust, and I look forward to further progress being made across the Group during the rest of the year. Morses Club is well placed for a post Covid-19 recovery in consumer borrowing."

Sell-side Analyst Presentation

The Company will be holding a virtual sell-side analyst presentation at 09:30 this morning. Please contact morses@camarco.co.uk if you would like to attend.

Forward looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve known and unknown risks and uncertainties since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.

Any forward-looking statements in this announcement reflect Morses Club's view with respect to future events as at the date of this announcement. Save as required by law or by the AIM Rules for Companies, Morses Club undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

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Notes to Editors
About Morses Club

Morses Club is an established provider of non-standard financial services in the UK. The Group consists of Morses Club, the UK's second largest home collected credit ("HCC") provider, and Shelby Finance Limited, Morses Club's digital division, which operates under two online brands, Dot Dot Loans, an online lending provider, and U Account, which offers online e-money current accounts. The Group's growing digital capabilities and scalable, highly invested IT platform has enabled Morses Club to deliver an increasingly broad range of financial products and services to the non-standard credit market.

UK HCC is considered to be a specialised segment of the broader UK non-standard credit market. UK HCC loans are typically small, unsecured cash loans delivered directly to customers' homes. Repayments are collected in person during weekly follow-up visits to customers' homes. UK HCC is considered to be stable and well-established, with approximately 1.6 million[1] people using the services of UK HCC lenders.

Morses Club's HCC division is the second largest UK Home Collected Credit (HCC) lender with 221,000 customers throughout the UK. The majority of the Company's customers are repeat borrowers and the HCC division enjoys consistently high customer satisfaction scores of 97%[2]. In 2016, the Morses Club Card, a cashless lending product, was introduced and in 2019 the Company introduced an online customer portal for its HCC customers, which now has over 117,000 registered customers.

The Group's growing digital division, Shelby Finance, operates under two online brands. Dot Dot Loans provides online instalment loans of up to 48 months to 20158 active customers. U Account is a leading digital current account provider offering an alternative to traditional banking by providing a fully functional agency banking service. U Account currently has c. 13365 customers.

Morses Club listed on AIM in May 2016.

About the UK non-standard credit market

The UK non-standard credit market, of which UK HCC is a subset, consists of both secured and unsecured lending and is estimated to comprise around 10 million consumers[3] and total loan receivables of £10.7bn[4].

Non-standard credit is the provision of secured and unsecured credit to consumers other than through mainstream lenders. Lenders providing non-standard credit principally lend on an unsecured basis and the market is characterised by high frequency borrowing. Approximately 2 million people move annually between standard and non-standard markets[4].

Since February 2014, unsecured personal lending has grown from £161 billion to £216 billion in February 2019[5].

1 High Cost Credit Review ANNEX 1 - July 2017

2 Independent Customer Satisfaction Survey conducted by Mustard

3 FCA High Cost Credit Review Technical Annex 1: CRA data analysis of UK personal debt - July 2017

4 Apex Insight - Non-Prime Consumer Credit: UK Market Insight Report - September 2019

5 Table A5.2, Bank of England Money and Credit Bank stats February 2019

Review ANNEX 1 - July 2017

Chief Executive Officer's Review

We have made significant progress in enhancing our product offering to our core customers.

Performance

FY20 was a year of significant regulatory and operational change for the business, as well as significant progress in our digital acquisition strategy. Total credit issued in our home collected credit division was £174.2m, slightly lower at -2.4% relative to the previous year (FY19: £178.5m), with our gross loan book marginally reduced by 2.4% from the FY19 figure.

The whole HCC sector saw a drop-off in sales following FCA changes to lending rules, however, our business was the least affected and consequently gained share. Our customer numbers remained broadly stable at 221,000, and we maintained our high levels of customer satisfaction of 97% and above. 99% of our employees scored Treating Customers Fairly (TCF) as part of the daily mindset of the business, with 90% believing that we offer good customer service. The self-employed agents who support our business gave a score of 96% meaning that TCF is part of the daily mindset of their business, with 95% understanding the importance of TCF.

During the year we have made significant progress in developing our Digital division. Following the acquisitions in February 2019 of the business and certain assets of online loan provider CURO Transatlantic Limited (now trading as Dot Dot Loans) and online e-money current account provider U Holdings Limited in June 2019 we have been rightsizing the businesses to move their cost bases to an appropriate level for their size. The losses were slightly deeper than we had anticipated, but we are on track to transition the digital business to a break-even position over the coming 2 years.

Since the end of the year we have faced the challenge of managing the impact of Covid-19. The business has quickly introduced wide-ranging adaptations to our operating model to ensure the safety and wellbeing of our staff and self-employed agents and to enable us to maintain our high levels of customer service during this period. More information on the steps we have taken are set out later in my review.

Principal drivers of performance

HCC

We are delighted that – less than a year since launch – around 35% of our customers are interacting with us via our Morses Club online portal, which now has more than 78,000 users. Customers using the portal generate significantly higher levels of interest in further credit options, since they are able to request credit at any time, rather than relying on the weekly visit with their agents under our traditional model. In addition to the portal, customers have responded positively to remote payment methods and 41% of all collections were being made remotely by the end of the year.

The move to digital has been embraced by our agents, who understand that, although they earn lower commission on digital repayments, the reduced need for physical visits allows agents to serve a larger base of customers. Increasing penetration of digital transactions has increased our customer satisfaction levels and reduced cost. The shift to digital has also given us scope to allow the gradual natural attrition of our agent base. As agents retire or leave, we can reallocate their loan books to agents in adjacent areas, enabling us to reduce costs. These agents benefit from an increased customer base, which our enhanced technology, and remote payment methods enables them to manage. We are targeting the removal of £1m of cost pa in HCC field-based costs over the next 5 years, and are well on track to achieve this.

We continue to be open to high-quality acquisitions as a means of growing our customer base, where attractive opportunities arise.

Digital

The portal platform will be extremely important to our online lending and e-money current account businesses. Our research with HCC customers indicates that a high proportion of them want to use online banking services, and the portal will allow them to manage their home collected credit loans, agent interaction, Morses Club Card and their bank account.

Our HCC customers have an average of 27% of their debt with HCC providers and a further 36% with other providers, for example overdrafts. The portal allows us to offer customers the opportunity to consolidate their debt in one place. The independent market research we undertake monthly shows us that linked services continue to be of interest to our customers. In future we will seek to provide offerings to help customers manage their budget and access services such as utility switching and comparison services; if customers give us permission to access the data on their spend on these services, it will help us to tailor our offering still further to support their financial wellbeing.

Systems

Our technology platform developments are now significantly complete for HCC. We have made further enhancements to our Customer Relationship Management (CRM) telephony system and how this is used in our Nottingham contact centre, which will help to enhance and integrate the support across all our businesses as we target a substantial customer base using all 3 of our brands. Our loans platform, CRM platform and telephony are our focus for the next year for delivering integrated customer excellence and supporting our business plan.

External market

We saw minimal impact from the changes in lending regulations following the FCA's review of high-cost credit, and implemented the small adjustments required to our processes in a timely manner.

Although HCC and parts of the associated market are generally unaffected by macroeconomic movements, increases to the national minimum and living wage levels are positive for our business as they support affordability decisions, and give our customers confidence in spending and borrowing. The impact of Covid-19 meant that from March 2020 onwards we adapted operational processes to ensure we maintained our service model for our existing customers.

In the digital space, we have observed a number of firms struggling to stay in business or acquire customers due to historical issues in relation to treating customers fairly. Providers with roots in payday lending have historical books that have since been classed as irresponsible lending, and claims management companies are targeting them. As some of these providers exit the market, there is scope for us to acquire good quality recently issued debt.

We are closely monitoring the impact of Covid-19 on our customers and the macroeconomic environment more broadly and have been able to adapt our business quickly to maintain business continuity and ensure we can support our customers.

Strategy

Our objective is to continue to listen to what customers tell us they want and to deliver it for them. Our research with our existing customer base indicates that consistently over 50% of them want to use our e-money current account services linked to a credit facility in the future, in addition to the relationship credit that they already have. We already have the technology platform in place, so our focus next year will be on the delivery of an intuitive customer journey and on communications and marketing as we seek to drive the penetration of e-money current accounts and digital credit products among our HCC customers to take an increased share of their credit demand away from the competition. We will also look to increase volume amongst the 8.5m non-HCC customers who are in the non-standard credit market of banking, long-term lending, revolving credit and short-term lending, as we strive to make our other 2 brands as profitable as our home collected credit brand in the longer term.

Capital allocation

At the end of April 2020 we secured an extension to our revolving credit facility of £40m to the end of November 2021. This funding level better reflects the ongoing requirements of the business, with reduced growth in the short/medium term, in a post Covid-19 world. This reduces the costs of funding whilst still giving us significant headroom in our existing facilities to achieve our ambitions and support the business at this challenging time.

People, culture and stakeholder engagement

We are delighted to have welcomed and retained the expertise of some highly experienced colleagues during the year.

Gary Marshall joined as Chief Operating Officer of Shelby Finance Limited in July 2019. His deep experience in online banking and insurance environments is already proving invaluable for the development of U Account and Dot Dot Loans as well as improving productivity and driving down costs. We are pleased to have retained the expertise of Les Easson, our previous Operations Director as he made the transition to a Non-Executive Director role. In addition, Andy Thomson, our previous Chief Financial Officer, has agreed to undertake the role of Interim Chief Financial Officer from 17 March 2020 and has stepped down from his current role as a Non-Executive Director.

We are proud of the people and culture at Morses Club. Our participation in the FCA's Smaller Business Practitioner Panel is testament to the recognition by the regulator as a firm that does the right thing, treats customers fairly and has a deep-seated cultural belief in putting customers first.

During a period of significant change and innovation it is gratifying how the Morses Club team of employees and agents have continued to embrace developments. In recognition of the contribution made by our colleagues, we issued shares to all eligible staff and recently won an award for our employee share scheme. As part of our commitment to ongoing stakeholder engagement, we undertake monthly surveys with customers, to assess their satisfaction. In addition, we conduct quarterly surveys with customers to check their overall experience in dealing with us, as well as former customers annually. Our surveys include those customers whose loans may be in arrears, and who we may not lend to again. We take the time to consider all feedback from our customers, and their involvement in how we build our products and services is critical in developing our future strategy. It is encouraging that the consistent results of both surveys are 97% or more.

Covid-19

As a business, our focus will always be on lending responsibly and conservatively, putting the customer first whilst ensuring the safety and wellbeing of our employees and agents. We responded rapidly to the outbreak of Covid-19 just after the year end, successfully adapting our operating model to enable all our agents to work from home and replacing face-to-face customer visits with a remote customer communication strategy, which makes use of our existing technology platform and payment methods to maintain customer contact and collection activity. Our normal adherence to TCF principles and forbearance continues. The Company has decided not to furlough any of its staff and all staff and agents are continuing to work remotely in support of customers.

We have recently launched a new cashless remote lending product, which is available to all existing Morses Club HCC customers and is compliant with all regulatory requirements. All necessary checks and agreements are transacted via our online Customer Portal, leveraging our existing technology platform. Customers using the new remote lending product can choose to have funds deposited directly into their bank account or loaded onto a Morses Club Card, ensuring that existing customers can continue to access our products and services during this time.

Customer response to our remote operating model has been positive and we have successfully transitioned 40% of repayments from face to face to remote collections since the outbreak of Covid-19.

Outlook

The safety and wellbeing of our employees and customers remains our priority. Going forward we expect growing numbers of our customers to engage with us via our technology platform. We are also looking at ways to implement social distancing measures across our business to enable us to resume face-to-face visits and our loan offering to new customers in a safe environment. The Group remains highly cash generative as a result of the actions we have taken and post year end we have also secured additional funding to support the business at this challenging time. We will continue to focus on effective cash-flow management and this is supported by temporarily suspending home collected credit loans which involve cash, lending to new customers, significant tightening of online lending decisions, cutting discretionary expenditure and an increased focus on collections.

Over the longer term, in HCC, the growing adoption of the digital portal will create value for customers, agents and the Group, and the gradual evolution of our agent network will drive further economies in our cost base. In our Digital division, we are confident that our strategy of developing our digital lending and e-money current account brands will deliver a positive financial contribution, however, for the current year we anticipate continued losses, primarily as a result of not being able to increase volumes due to the impact of Covid-19, with profitability reached in FY22.

The Board recognises the difficulty in fully assessing the long-term operational impact of Covid-19 on the business and therefore considers it prudent to withdraw its financial guidance for FY21. In full consideration of all relevant circumstances, the Board will recommend payment of a dividend in February.

Paul Smith
Chief Executive Officer
Date: 27 November 2020

Chief Financial Officer's Operational and Financial Review

Whilst the Group has made excellent progress in growing HCC profits in a mature marketplace, the new Digital acquisitions have contributed losses to the business that have reduced overall profitability. This year, we are also required to identify the possible adverse impact of Covid-19 on the impairment of our closing loan book that would have been foreseen at the year end. This has further suppressed our overall performance.

However, we are confident that our Digital strategy combined with what we believe to be a best-in-class HCC business will see us emerge from this difficult period as a strong and profitable business.

Overview

The results for the Group for the 53 weeks ended 29 February 2020 have been affected by the requirements of IFRS9 to report the possible impact that would have been foreseen at the year end of the Covid-19 pandemic on the closing balance sheet for FY20. This required us to assess the likely decrease in cash flows from our closing loan books as a result of both our customers inability to pay and, in the case of home collected credit, our inability to collect from customers during a lockdown. These adjustments have required additional provisions of £1.7m (FY19 £nil) which directly reduced earnings by the same sum. The approach and assumptions of the additional Covid-19 provision are detailed in Note 16.

In addition, we also considered the subsequent impacts of Covid-19 that became known after the year end which we have noted as Post Balance Sheet Events (PBSE). The various aspects of these impacts are summarised in the table below and detailed in Note 30 of the financial statements.

Post Balance Sheet Events re Covid-19 (unaudited):

	£m
Additional write off	£5.8m
Loss of income from bad debt recoveries	£0.3m
Delayed revenue recognition from slower repayments	£0.8m
Total impacts	**£6.9m**
Less: recognised in FY20	(£1.7m)
Net Post Balance Sheet Events	**£5.2m**

On a 'normalised' basis, our results excluding the Covid-19 adjustment, we achieved a normalised adjusted profit before tax of £15.5m (FY19: £22.0m) which after the Covid-19 adjustment reduced to £13.8m. Statutory profit before tax of £11.5m would have been £13.2m on a normalised basis were the £1.7m Covid-19 adjustment to be added back (FY19: £20.2m).

Reconciliation of Statutory profit before tax to Normalised Adjusted and Adjusted profit before tax and explanation of Normalised and Adjusted EPS

£m unless otherwise stated	FY20			FY19			Increase / (Decrease)
	HCC	Digital	Total	HCC	Digital	Total	
Statutory Profit Before Tax	**21.2**	**(9.7)**	**11.5**	**20.7**	**(0.5)**	**20.2**	**(8.7)**
Covid-19 adjustment to impairment	1.7	0.0	1.7	0.0	0.0	0.0	1.7
Statutory Profit Before Tax before Covid-19 adjustment	**22.9**	**(9.7)**	**13.2**	**20.7**	**(0.5)**	**20.2**	**(7.0)**
Amortisation, restructuring and nonrecurring costs	0.9	2.6	3.5	0.8	0.0	0.8	0.8
Exceptional gain[2]	0.0	(2.3)	(2.3)	0.0	0.0	0.0	0.0
Amortisation of acquisition intangibles[3]	0.8	0.4	1.2	0.0	1.0	1.0	1.0
Normalised Adjusted Profit Before Tax[1]	**24.5**	**(9.0)**	**15.5**	**22.5**	**(0.5)**	**22.0**	**(6.5)**
Covid-19 adjustment to impairment	(1.7)	0.0	(1.7)	0.0	0.0	0.0	(1.7)
Adjusted Profit Before Tax[1]	**22.8**	**(9.0)**	**13.8**	**22.5**	**(0.5)**	**22.0**	**(8.2)**
Tax on Adjusted Profit Before Tax	(2.4)	(0.4)	(2.8)	(4.5)	0.1	(4.4)	1.6
Adjusted Profit After Tax	**20.4**	**(9.4)**	**11.0**	**18.0**	**(0.4)**	**17.6**	**(6.6)**
Statutory EPS[1]			7.3p			12.5p	(5.2p)
Normalised EPS[1]			9.5p			13.6p	(4.2p)
Adjusted EPS[1]			8.4p			13.6p	(5.2p)
Statutory Return on Assets[1]	27.5%		**12.8%**			**23.4%**	
Normalised Return on Assets[1]	31.1%		**16.6%**			**25.4%**	
Adjusted Return on Assets[1]	29.3%		**14.8%**			**25.4%**	
Statutory Return on Equity[1]	30.1%		**17.2%**			**27.2%**	
Normalised Return on Equity[1]	34.1%		**22.3%**			**29.6%**	
Adjusted Return on Equity[1]	32.1%		**19.9%**			**29.6%**	

1 Definitions are set out in the Glossary of APMs
2 Adjustments in connection with CURO Transatlantic Limited and U Holding Limited acquisitions
3 Amortisation of acquired customer lists and agent networks

The HCC business continued to perform strongly in what we believe is a mature and probably declining marketplace. Whilst closing customer numbers fell by 5.6% and gross receivables by 1.6%, income increased by 2.3% to £119.3m (FY19: £116.6m). This resulted in a Normalised Adjusted Profit before tax of £24.5m which was 8.9% up compared to FY19 of £22.5m. The Covid-19 impairment adjustment reduced this to £22.8m, still a year-on-year increase of 1.3%.

We made great strides in enhancing the scale and capability of our Digital business during the year, albeit with a significant impact on profitability. We acquired the business and certain assets of CURO Transatlantic Limited at the end of February 2019 from the Administrator. Whilst the business had suffered from a legacy of payday loans dating back to 2004, we only acquired the current instalment loans part of the loan book. Whilst we were able to acquire the business at a very small uplift to the net assets (£0.1m), we knew that the turnaround and growth of the business was likely to incur trading losses in FY20.

In addition, we acquired the digital banking business U Holdings Limited, trading as U Account in June 2019. Like most digital online current account providers, this is currently loss-making though we have a clearly defined strategy to grow this through FY21/FY22 with a view to integrating lending products into a one view of the customer model that should result in improved customer outcomes and financial performance.

As a result of these acquisitions, the digital adjusted loss before tax increased significantly to (£9.0m) against an adjusted loss for FY19 of (£0.5m).

Total equity was virtually unchanged, decreasing by 0.4% to £70.7m (FY19: £71.0m), as a result of the impact of the Covid-19 adjustments which after tax adversely impacted total equity by (£1.4m). The move to IFRS 16 had a negligible impact on net assets.

Trading Summary

£m unless otherwise stated	53-week period ended 29 February 2020			52-week period ended 23 February 2019		
	HCC	Digital	Total	HCC	Digital	Total
Customer numbers ('000s)	221	34	**255**	234	**0**	**234**
Credit issued	174.2	16.1	**190.3**	178.1	**0.4**	**178.5**
Period end receivables	67.9	4.9	**72.8**	73.0	**0.0**	**73.0**
Average receivables	69.3	5.0	**74.3**	69.1	**0.2**	**69.3**
Revenue	119.3	14.4	**133.7**	116.6	**0.4**	**117.0**
Impairment	(27.6)	(7.1)	**(34.7)**	(25.9)	**(0.3)**	**(26.2)**
Agent Commission	(27.0)	(0.6)	**(27.6)**	(28.3)	**0.0**	**(28.3)**
Gross Profit before Covid-19 adjustment	64.7	6.6	**71.3**	62.4	**0.1**	**62.5**
Administration expenses (pre-exceptional)	(34.4)	(13.8)	**(48.2)**	(36.5)	**(0.6)**	**(37.1)**
Depreciation	(3.6)	(0.7)	**(4.3)**	(1.7)	**(0.0)**	**(1.7)**
Operating Profit before exceptional costs and amortisation of acquisition intangibles	**26.7**	**(7.9)**	18.8	**24.3**	**(0.5)**	23.8
Amortisation of acquisition intangibles	(0.8)	(0.4)	**(1.2)**	(1.0)	**0.0**	**(1.0)**
Acquisition, restructuring and non-recurring costs	(0.9)	(2.6)	**(3.5)**	(0.8)	**0.0**	**(0.8)**
Covid-19 adjustment to impairment	(1.7)	0.0	**(1.7)**	0.0	**0.0**	**0.0**
Exceptional items	0.0	2.3	**2.3**	0.0	**0.0**	**0.0**
Operating profit	**23.2**	**(8.5)**	14.7	**22.5**	**(0.5)**	22.0
Funding costs	(2.1)	(1.1)	**(3.3)**	(1.7)	**0.0**	**(1.7)**
Statutory Profit Before Tax	**21.2**	**(9.7)**	11.5	**20.7**	**(0.5)**	20.2
Tax	(2.0)	0.1	**(2.0)**	(4.1)	**0.1**	**(4.0)**
Statutory Profit After Tax	**19.2**	**(9.7)**	9.5	**16.6**	**(0.4)**	16.2
Basic EPS			**7.3p**			**12.5p**

Group Results

Credit issued to customers increased by 6.6% to £190.3m (FY19: £178.5m) mainly due to the increase in Digital which increased by £15.7m to £16.1m (FY19: £0.4m) reflecting the acquisition of certain assets from the business and CURO Transatlantic Limited in February 2019. HCC credit issued declined by 2.2% to £174.2m (FY19: £178.1m) which we believe reflects the maturity of this market.

Revenue increased by 14.3% to £133.7m (FY19: £117.0m) with the majority of the increase due to the acquired digital businesses, £14.4m compared to FY19: £0.4m. HCC also saw a small 2.3% increase in revenue due to slightly higher yields.

HCC gross profits before the Covid-19 adjustment increased to £64.7m (FY19: £62.4m), an increase of 3.7%. The gross profit percent increased to 54.2% from FY19 53.5%. Within the cost of sales, impairment before the Covid-19 adjustment increased from 22.2% to 23.1%, with poorer loan performances identified across newer and more remote customers in the last few months of the year. However, the overall performance still sits comfortably within our guidance range of 21.0% to 26.0%. The increased impairment costs were more than offset by agent commission costs reducing from 24.3% to 22.6%. This was as a result of there being no material territory build subsidies in the year and the full year effect of the phasing out during FY19 of the remaining commission protection arrangements to newer agents.

Administration expenses (including depreciation) increased significantly from £38.8m in FY19 to £52.5m in the current year. This was entirely due to the digital businesses acquired in the year.

HCC administration expenses (including depreciation) were flat at £38.0m (FY19: £38.2m), against a 2.3% increase in revenue, although this was in part due to IFRS16 reclassifying £0.5m of lease costs within finance costs.

The comparison of the profit and loss account charges resulting from the implementation of IFRS16 is detailed in the table below:

Leases assets: charges to the profit and loss account (£'m)	FY20 (IFRS16)	FY20 (IAS17)	Movement	FY19 (IAS17)
Administration costs	0.5	3.0	2.5	2.5
Depreciation	1.7	-	(1.7)	-
Total	2.2	3.0	0.8	2.5
Finance costs	0.5	-	(0.5)	-
Total cost of leased assets	2.7	3.0	0.3	2.5

Aside from the impact of IFRS16, depreciation costs in HCC increased by £0.2m to £1.9m (FY19: £1.7m) due to our ongoing investment in our HCC technology platforms.

Normalised adjusted profit before tax fell 29.5% to £15.5m (FY19: £22.0m). Within this the HCC business increased normalised adjusted profit before tax by 8.9% to £24.5m (FY19: £22.5m), with the gross profit increase of £2.3m being only slightly offset by a £0.3m increase across administration costs, depreciation and funding costs. The digital businesses had an adverse impact on performance with a normalised adjusted loss before tax of £9.0m, an increase from FY19's loss of £0.5m.

The HCC normalised return on assets remained a healthy 31.1% compared to FY19 25.4%. After the Covid-19 adjustment the adjusted return on assets was 29.3%, still an improvement compared to FY19.

With the additional charge for impairment as a result of Covid-19 of £1.7m, this reduced the adjusted profit before tax to £13.8m (FY19: £22.0m). The details of the Covid-19 scenario we considered and the probability attached to it that resulted in the Covid-19 adjustment of £1.7m can be found in Note 16 of the accounts. A table of adjustments between reported profit before tax and normalised adjusted and adjusted profit before tax is shown above.

Acquisition, restructuring and non-recurring costs increased to (£3.5m) from (£0.8m), the increase being in connection with the digital acquisitions with the restructuring costs in HCC being similar to last year (FY20: £0.9m, FYH19: £0.8m). The digital costs were largely in relation to headcount reductions, IT transition costs, acquisition costs and office relocation.

The exceptional gain of £2.3m is in connection with the release of excess deferred consideration associated with the acquisition of U Holdings Limited; this was connected to performance criteria that were largely not achieved.

Amortisation of acquisition intangibles increased slightly from (£1.0m) to (£1.2m) as a result of the additional charge of (£0.4m) from the acquisition of the digital businesses.

The statutory profit before tax fell by 43.1% to £11.5m (FY19: £20.2m).

Earnings Per Share

The normalised adjusted earnings per share for FY20 was 9.5p, a decrease of 30.1% relative to 13.6p for FY19. The adjusted earnings per share was 8.4p, a 38.2% reduction compared to 13.6p for FY19. The reported earnings per share for FY20 was 7.3p compared to 12.5p for FY19, a decrease of 41.6%.

Dividend

After the impact of Covid-19 and the lockdown became a reality, the Group announced that it would be postponing its decision to make a final dividend payment whilst it assessed the impacts of the pandemic. During this time, we have extended our loan facilities and cash flows have exceeded expectations as we adapted, and continue to adapt, to the ever-changing demands on the business. We are pleased to say that we did not furlough any staff or take on any debt or other support packages offered by HM Government during the crisis.

As a result of this and subject to shareholder approval at the General Meeting on 7 January 2021, the Board proposes to pay a final dividend of 1.0p per Ordinary Share (FY19: 5.2p) payable on 12 February 2021 to shareholders on the register at the close of business on 15 January 2021.

This payment is in addition to the interim dividend already paid of 2.6p per Ordinary Share, making a total dividend for the year of 3.6p (FY19: 7.8p). This represents a total payment for the year of 38% of normalised adjusted profits after tax which is below our normal dividend policy of paying between 50% and 60% of normalised adjusted profits after tax. However, the Board has noted that the profit is largely before Covid-19 and believes that we should remain particularly prudent in the current uncertain times.

Acquisitions and Goodwill

At the beginning of the financial year, the Group acquired the business and certain assets of online lender CURO Transatlantic Limited for £8.0m. This acquisition was in line with our stated strategy to diversify the products and markets that we serve in the non-prime lending space. This acquisition gives us scale and expertise to take our own Dot Dot Loans online product to a level where management are confident that it will be financially successful. We have been going through a complex integration process of re-platforming the incumbent technology, a process that has taken longer than we anticipated and will not be completed until early 2021. Due to Covid-19, it has been difficult to build up loan volumes to the required levels so far during FY20 and so we do not now expect to be profitable until later in FY22.

In June 2019 we acquired U Holdings Limited, a company providing e-money current account services, another major component of the Group's digital strategy. Whilst we acknowledge that this business may be loss making for a period of time, we have a strategy to expand it as a leading banking product to the non-prime space by developing integrated credit products to this customer niche.

Below is an extract of the consideration, goodwill and assets acquired, more details can be found of the acquisitions in Note 26 to the accounts.

£m	CURO	U Account	Total
Consideration transferred settled in cash	4.3	6.7	11.0
Fair value of contingent consideration	3.7	2.8	6.5
Total consideration	**8.0**	**9.5**	**17.5**
Less fair value of net assets acquired	(7.9)	(0.1)	(8.0)
Goodwill	**0.1**	**9.4**	**9.5**

The contingent consideration was originally payable 5 years after the acquisition based on various performance targets and although management still expects to achieve these targets, the contingent consideration has been released. This is because the individuals qualifying for this left the business during the year and have forgone this additional remuneration which is shown as an exceptional gain in the trading Summary. See also Note 3.

Funding

We were pleased to announce at the end of April 2020 the extension of our loan facility with the incumbent lender consortium from August 2020 out to the end of November 2021. This was particularly pleasing as the facility extension was agreed and signed off during the most adverse period of the lockdown and we believe illustrates the confidence that our lenders have in the Group.

The facility limit was reduced from £55m committed to £40m as it became clear, as a result of Covid-19, that lending volumes during 2020 will be far lower than we anticipated coming into the year. By reducing this unused headroom, and repaying the £5m mezzanine layer, we will reduce our non-utilisation charges for any given level of borrowing and therefore overall cost of funding. We also took the opportunity to review operating covenants in light of the Covid-19 pandemic and given the reduced collections during the first stage of lockdown we agreed an amendment to one operating covenant, being the collection performance, to reflect this, though in the end we never breached the original unadjusted covenant.

Borrowing peaked at £40.0m in December 2019 (December 2018: £21.5m) the increase reflecting the consideration paid for the acquisitions, restructuring costs and the subsequent digital loan book growth. We anticipated that the impact of Covid-19 would be a shrinking of the HCC loan book which would generate more cash and lead to lower levels of borrowing in the second half of FY21 compared to FY20.

In September we reported that our borrowing at the end of August 2020 was £14m which compared to £23m in August 2019.

Balance Sheet

The total equity for the Group decreased by 0.4% from £71.0m reported in FY19 to £70.7m, reflecting the dividends paid, which included last year's final dividend, marginally exceeding the retained profit for the year.

The main asset of the Group is our loan book, which on a net basis decreased by (0.3%) from £73.0m in FY19 to £72.8m in FY20. Excluding the Covid-19 adjustment the net loan book would have been £74.5m, an increase of 2.1%. The net loan book represents 103% of the total equity (FY19: 103%).

Summarised balance sheet (£m)	**FY20**	FY19
Loan book	**72.8**	73.0
Goodwill	**13.0**	3.5
Bank borrowings	**(33.8)**	(14.1)
Cash at bank	**11.9**	7.9
Other net assets	**6.8**	0.7
Total equity	**70.7**	71.0

The biggest movement in other net assets is due to a tax credit last year of (£1.8m) becoming a tax receivable of £0.5m. In addition, prepayments increased by £1.3m and intangible assets by £1.2m.

Cash Flow

The summarised cash flow statement below demonstrates the healthy levels of cash generated by the business prior to acquisitions in the table below. The cash inflow from operations of £21.4m was up by 4.4% compared to £20.5m in FY19. The increase in bank borrowings of £19.5m reflected the cost of investing in acquisitions and assets of £22.4m.

Summarised cash flow (£m)	**FY20**	FY19
Cash inflow from operating activities	**21.4**	20.5
Net borrowing increase/(decrease)	**19.5**	(1.5)
Net cash outflow from investing activities	**(22.4)**	(4.6)
Dividends paid	**(10.2)**	(9.6)
Other net cash flow movements	**(4.3)**	(1.8)
Increase in cash and cash equivalents	**4.0**	3.0

Covid-19 and subsequent outlook

The additional charge for Covid-19 of £1.7m taken to earnings in FY20 is summarised in the overview above and detailed in Note 16 to the accounts. This additional provision for expected credit losses is required by IFRS9 where not only do we have to consider the historical loan book performance in order to measure the likely future credit performance, but also consider economic and other factors that might affect the appropriateness of using this historical information unaltered. Since the adoption of IFRS9 the Group has, prior to FY20, concluded that there was no need to make any such adjustment. However, the Covid-19 pandemic required us to consider both the probability of higher expected credit losses under IFRS9 for the purpose of the FY20 accounts but also the non-adjusting post balance sheet impact under IAS10.

The full impact of Covid-19 and the lockdown on the business will be higher than this, with lending volumes in FY21 being reduced as a result of a combination of customer financial difficulties, reductions in customer spending resulting in reduced borrowing, customer deleveraging and de-risking of their personal finances, higher unemployment and the application of higher credit scoring criteria which you would expect a responsible lender to apply during this economic uncertainty.

These factors are inevitably going to lead to a shrinking of customer numbers and the loan book in the established HCC business during FY21, and therefore revenues and gross margin. The digital business is unlikely to be able to grow as quickly as we anticipated on acquisition whilst maintaining debt quality at the levels we would responsibly target. As a result it will take longer than we originally planned to generate profits from these. However, the Group continues to track all aspects of these challenges and is confident that it will emerge as a profitable and stronger business.

Andy Thomson
Interim Chief Financial Officer
Date: 27 November 2020

Morses Club PLC
Consolidated Income Statement
For the 53-week period ended 29 February 2020

	Notes	53 weeks ended 29.2.20 £'000	52 weeks ended 23.2.19 £'000
Revenue			
Existing Operations		128,528	116,803
Acquisitions during the period		5,123	203
		133,651	117,006
Impairment		(36,358)	(26,169)
Cost of sales		(27,669)	(28,296)
GROSS PROFIT		69,624	62,541
Administration expenses		(54,918)	(40,579)
Operating profit before amortisation of intangibles and exceptional items		13,593	22,987
Amortisation of acquisition intangibles		(1,222)	(1,025)
Exceptional items		2,335	-
OPERATING PROFIT			
Operating Profit Existing Operations		11,667	21,875
Operating Profit Acquisitions during the period		3,039	87
		14,706	21,962
Finance costs		(3,255)	(1,745)
Profit before taxation	2	11,451	20,217
Tax on profit on ordinary activities	3	(1,974)	(4,042)
Profit after taxation		9,477	16,175
		29.2.20	**23.2.19**
Earnings per share		**Pence**	**Pence**
Basic	5	7.26	12.48
Diluted	5	7.21	12.30

All results derive from continuing operations. A Statement of comprehensive Income is not included as there are no other gains or losses, other than those presented in the Income Statement.

Morses Club PLC
Balance Sheet
As at 29 February 2020

		Group	
Assets	**Notes**	**29.2.20**	**23.2.19**
Non-current assets		**£'000**	**£'000**
Goodwill	6	12,981	3,501
Other intangible assets	7	7,362	6,221
Investment in Subsidiaries		-	-
Property, plant & equipment		818	378
Right-of-Use Assets		2,783	-
Deferred Tax	9	659	958
Amounts receivable from customers	8	657	206
		25,260	11,264
Current Assets			
Amounts receivable from customers	8	72,171	72,840
Taxation receivable		501	-
Other receivables	8	4,256	2,369
Cash at bank		11,868	7,893
		88,796	83,102
Total assets		114,056	94,366
Liabilities			
Current Liabilities			
Taxation payable		-	(1,830)
Trade and other payables		(6,723)	(7,482)
Lease liabilities		(1,286)	-
		(8,009)	(9,312)
Non-current liabilities			
Bank and other borrowings	10	(33,838)	(14,075)
Lease Liabilities		(1,553)	-
Deferred tax	9	-	-
		(35,391)	(14,075)
Total liabilities		(43,400)	(23,387)
NET ASSETS		70,656	70,979
Equity			
Called up share capital		1,312	1,298
Group reconstruction reserve		-	-
Retained Earnings		69,344	69,681
TOTAL EQUITY		70,656	70,979

Morses Club PLC
Consolidated Statements of Changes in Equity
For the 53-week period ended 29 February 2020

Group	Notes	Called up share capital £'000	Retained Earnings £'000	Total Equity £'000
As at 25 February 2018		**1,295**	**61,993**	**63,288**
Profit for year		-	16,175	16,175
Total comprehensive income for the period		-	16,175	16,175
Share issue		3	-	3
Share based payments charge		-	1,104	1,104
Dividends paid		-	(9,591)	(9,591)
As at 23 February 2019		**1,298**	**69,681**	**70,979**
Impact of adoption of IFRS 16		-	154	154
As at 24 February 2019		**1,298**	**69,835**	**71,133**
Profit for year		-	9,477	9,477
Total comprehensive income for the period		-	9,477	9,477
Deferred Tax on Acquisitions		-	39	39
Share issue		14	-	14
Share based payments charge		-	155	155
Dividends paid		-	(10,162)	(10,162)
As at 29 February 2020		**1,312**	**69,344**	**70,656**

Morses Club PLC
Cash Flow Statements
For the 53-week period ended 29 February 2020

		Group	
		29.2.20	**23.2.19**
	Notes	**£'000**	**£'000**
Net cash inflow from operating activities	1	21,418	20,467
Cash flows used in financing activities			
Dividends Paid	4	(10,162)	(9,591)
Proceeds from additional long-term debt		36,000	(1,052)
Arrangement costs associated with additional funding		-	(425)
Repayment of long-term debt		(16,500)	-
Principal paid under lease liabilities		(1,385)	-
Interest received		13	-
Interest paid		(2,533)	(1,745)
Interest paid (lease liabilities)		(472)	-
Net cash inflow/(outflow) from financing activities		4,961	(12,813)
Cash flows used in investing activities			
Purchase of intangibles		(4,277)	(2,411)
Purchase of property, plant and equipment including Right of Use Assets		(2,180)	(31)
Additional investment in subsidiary		-	-
Acquisitions		(15,947)	(2,187)
Net cash (outflow) from investing activities		(22,404)	(4,629)
Increase in cash and cash equivalents		3,975	3,025
Reconciliation of increase in cash and cash equivalents			
Movement in cash and cash equivalents in the period		3,975	3,025
Movement in cash and cash equivalents in the period			
Cash and cash equivalents, beginning of year		7,893	4,868
Cash and cash equivalents, end of year		**11,868**	**7,893**

Morses Club PLC
Notes to the Consolidated Cash Flow Statement
For the 53-week period ended 29 February 2020

1 Reconciliation of profit before taxation to net cash inflow from operating activities

	Group	
	29.2.20	**23.2.19**
	£'000	**£'000**
Profit before tax and exceptional costs	9,116	20,217
Exceptional costs	2,335	-
Profit before taxation	11,451	20,217
Interest received included in financing activities	(13)	-
Interest paid included in financing activities	2,533	1,745
Interest paid (leases liabilities)	472	-
Share issue	14	3
Depreciation charges	2,436	475
Share based payments charge	155	1,104
Impairment of goodwill	16	-
Amortisation of intangibles	3,136	2,209
Write off of Right-of-Use Assets	142	-
Decrease/(increase) in debtors	6,702	(3,901)
Increase/(decrease) in creditors	(1,466)	2,170
	14,127	3,805
Taxation paid	(4,160)	(3,555)
Net cash inflow from operating activities	21,418	20,467

Morses Club PLC
Notes to the Consolidated Financial Statements
For the 53-week period ended 29 February 2020

1. Accounting policies

Basis of preparation

The preliminary announcement has been prepared in accordance with the Listing Rules of the FCA and is based on the consolidated financial statements for the period ended 29 February 2020 which have been prepared under IFRS as adopted by the European and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Shopacheck Financial Services Limited qualifies for an exemption to audit under the requirements of Section 480 of the Companies Act 2006. Shelby Finance Limited and U Holdings Limited both qualify for an exemption to audit under the requirements of Section 479A of the Companies Act 2006. As such, no audit has been conducted for these companies in the current financial year. As such, no audit has been conducted for these companies in the period ending 29 February 2020.

The preliminary announcement has been prepared on a going concern basis consistent with the basis of preparation of the statutory financial statements for the period ended 29 February 2020.

The preliminary announcement does not constitute the statutory financial statements of the Group within the meaning of Section 434 of the Companies Act 2006.

The preliminary announcement has been agreed with the Company's auditor for release

2. Profit before taxation

The operating profit is stated after charging/(crediting):

	53 weeks ended 29.2.20 £'000	**52 weeks ended 23.2.19 £'000**
Depreciation - owned assets	740	475
Amortisation of intangibles	3,135	2,209
Depreciation of right-use-asset	1,696	-
Impairment	36,358	26,169
Lease liability finance costs	472	-
Operating lease rentals - Motor vehicles	339	1,368
Operating lease rentals - Property	710	1,127

2. Profit before taxation cont.

Directors' and key management personnel remuneration includes the following expenses:

	53 weeks ended 29.2.20 £'000	52 weeks ended 23.2.19 £'000
Short-term employee benefits	979	920
Post-employment benefits	25	24
Long-term benefits	275	371
Share-based payments	134	242
	1,413	1,557

The number of directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	3	2

Information regarding the highest paid director is as follows:

	53 weeks ended 29.2.20 £'000	52 weeks ended 23.2.19 £'000
Emoluments	570	552
Pension contributions to money purchase schemes	15	9

3. Taxation

Analysis of the tax charge

The tax charge on profit before tax for the period was as follows:

	53 weeks ended 29.2.20 £'000	52 weeks ended 23.2.19 £'000
Current tax:		
UK corporation tax	1,866	4,166
Adjustment in respect of prior years	(3)	114
Deferred tax on acquisitions	-	(95)
Origination and temporary timing differences	124	(39)
Adjustment in respect of prior years	1	(104)
Effect of change of tax rates	(14)	-
Total deferred tax	111	(143)
Tax on profit on ordinary activities	1,974	4,042

3. Taxation contd.

Factors affecting the tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK.
The difference is explained below:

	53 weeks ended 29.2.20 £'000	52 weeks ended 23.2.19 £'000
Profit before exceptional costs	9,116	20,217
Exceptional costs	2,335	-
Profit on ordinary activities before tax	11,451	20,217
Profit on ordinary activities before exceptional items multiplied by the standard rate of corporation tax	2,176	3,841
Effects of:		
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	2,176	3,841
Effects of:		
Expenses not deductible for tax purposes	85	123
Release of deferred consideration	(290)	-
Deferred Tax on Acquisitions taken to CT P&L	-	(95)
Adjustment in respect of prior periods	13	10
Rate difference - Deferred tax	(13)	111
Movement in amounts not provided in deferred tax	3	52
Tax on profit on ordinary activities	1,974	4,042

The standard rate of corporation tax applicable for the period ended 29 February 2020 is 19% (2019: 19%).

4. Dividend per share

	53 weeks ended 29.2.20	52 weeks ended 23.2.19
Dividend (£'000)	10,162	9,591
Weighted average number of shares (000's)	130,531	129,570
Per share amount (pence)	7.78	7.40

4. Dividend per share cont.

Subject to shareholder approval at the General Meeting on 7 January 2021, the Board proposes to pay a final dividend of 1.0 pence per Ordinary Share payable on 12 February 2021 to all shareholders on the register at the close of business on 15 January 2021

5. Earnings per share

	53 weeks ended 29.2.20	**52 weeks ended 23.2.19**
Earnings (£'000)	9,477	16,175
Number of shares		
Weighted average number of shares (000's)	130,531	129,570
Effect of dilutive potential ordinary shares through share options (‘000s)	843	1,977
Weighted average number of shares for the purposes of diluted earnings per share (‘000s)	131,374	131,547
Basic earnings per share amount (pence)	7.26	12.48
Diluted earnings per share amount (pence)	7.21	12.30

Diluted earnings per share calculates the effect on earnings per share assuming conversion of all dilutive potential Ordinary Shares. Dilutive potential Ordinary Shares are calculated for awards outstanding under performance related share incentive schemes such as the Deferred Share Plans. The number of dilutive potential Ordinary Shares is calculated based on the number of shares which would be issuable if the performance targets have been met.

6. Goodwill

		Group Goodwill
COST	Note	**£'000**
At 24 February 2018		3,167
Additions 2018/19		667
At 23 February 2019		3,834
Additions 2019/20	11	9,496
At 29 February 2020		**13,330**
Impairment		
At 24 February 2018 and 23 February 2019		(333)
Impairment loss for the period		(16)
At 29 February 2020		**(349)**
Net Book Value		
At 29 February 2020		**12,981**
At 28 February 2019		3,501
At 25 February 2018		2,834

Key assumptions used in goodwill impairment review
Determining whether goodwill is impaired requires an estimation of the discounted future cash flows of the Company using a discount rate of 13% and an initial growth rate over the first 3 years of 22% followed by a terminal value based on a minimum future growth of 2%.

The Group has conducted a sensitivity analysis on the goodwill impairment assessment and believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying value of goodwill exceeding the recoverable amount. The recoverable amount has been calculated using the value in use method. Goodwill is tested for impairment annually or more frequently if there are indications that goodwill might be impaired. The key assumptions used in the value in use calculation are the growth rates and the discount rates adopted. The growth rates are based on the most recent financial budgets approved by the Group Board for the next three years. The discount rates which reflect the time value of money and the risks specific to the financial services sector are sourced from an independent third party.

6. Goodwill cont.

The carrying amount of goodwill has been allocated to cash-generating units as follows:

	53 weeks ended 29.2.20 £'000	52 weeks ended 23.2.19 £'000
HCC	3,293	3,309
Digital	9,688	192
	12,981	**3,501**

7. Other intangible assets

Group	Software & Licences £'000	Customer Lists £'000	Agent Networks £'000	Totals £'000
Cost				
At 24 February 2018	6,453	20,766	850	28,069
Additions	2,411	475	24	2,910
At 23 February 2019	8,864	21,241	874	30,979
Additions	3,897	380	-	4,277
At 29 February 2020	12,761	21,621	874	35,256
Accumulated Amortisation				
At 24 February 2018	3,041	18,740	768	22,549
Charge for the period	1,185	984	40	2,209
At 23 February 2019	4,226	19,724	808	24,758
Charge for the period	1,914	1,191	31	3,136
At 29 February 2020	6,140	20,915	839	27,894
Net Book Value				
At 29 February 2020	6,621	706	35	7,362
At 23 February 2019	4,638	1,517	66	6,221
At 24 February 2018	3,412	2,026	82	5,520

Research and development expenditure expensed during the year was £nil (2019: nil).

8. Trade and other receivables

Amounts receivable from customers	Group	
	29.2.20	23.2.19
	£'000	£'000
Amounts falling due within one year:		
Net receivable from advances to customers	72,171	72,840
Amounts falling due after one year:		
Net receivable from advances to customers	657	206
Net loan book	72,828	73,046
Other debtors	1,718	625
Intercompany funding	-	-
Prepayments	3,039	1,744
	77,585	75,415

	Group	
	29.2.20	23.2.19
	£'000	£'000
Amounts receivable from customers	72,828	73,046
Analysis by future date due		
- due within one year	72,171	72,840
- due in more than one year	657	206
Amounts receivable from customers	72,828	73,046
Analysis by security		
Other loans not secured	72,828	73,046
Amounts receivable from customers	72,828	73,046

Impairment provisions are recognised on inception of a loan based on the expected 12-month losses or the lifetime losses of the loan. Further details can be found on Pages 98 to 99 of the Annual report and Accounts.

8. Trade and other receivables cont.

Covid-19

The Group ran a number of scenarios to establish the impact of Covid-19. The scenarios were based on the impact on trading activity and in particular, future cash flows as a result of, and a consequence of, the Covid-19 outbreak.

All of these scenarios would impact the level of additional loan loss provision required both in terms of expected credit losses and the discounting impact of delayed or late payments.

The table below shows the impact on cash collections under each scenario

Monthly Cash Reductions from 'normal' levels	Covid-19 Downside Case	Zero impact Base case
Mar-19	12.5%	0.0%
Apr-19	50.0%	0.0%
May-19	30.0%	0.0%
Jun-19	30.0%	0.0%
Jul-19	20.0%	0.0%
Aug-19	20.0%	0.0%
Sep-19	20.0%	0.0%
Oct-19	15.0%	0.0%
Nov-19	15.0%	0.0%
Dec-19	10.0%	0.0%
Jan-20	10.0%	0.0%
Feb-20	10.0%	0.0%
£m	16.7	–
Probability weighting	10.0%	90.0%
Probability Weighted Impact £m		1.7

The key area of uncertainty for Covid-19 is the extent to which collections in each month are impacted. The range of outcomes from the above table gives an impact of between £0 and £16.7m with the weightings in the table above generating an impact of £1.7m in the year to 29 Feb 2020; the impact on 2020/21 is likely to be greater, as demonstrated in the PBSE note.

At 29 February 2020 the amounts receivable from customers are as follows:

	Group	
	29.2.20	**23.2.19**
	£'000	**£'000**
Gross Carrying Amount	120,946	115,538
Impairment Provision	(48,118)	(42,492)
Net Amounts Receivable	**72,828**	**73,046**

8. Trade and other receivables cont.

Amounts receivable from customers can be reconciled as follows:

Group	Ref*	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	2019/20 IFRS 9 Total £'000
Gross carrying amount					
At 23 February 2019		**58,305**	**35,190**	**22,041**	**115,536**
New financial assets originated	*1*	190,293	5	14	190,312
Net transfers and changes in credit risk:					-
From Stage 1 to Stage 2	*2*	(51,735)	51,735	-	-
From Stage 1 to Stage 3	*2*	(18,309)	-	18,309	-
From Stage 2 to Stage 1	*2*	2,031	(2,031)	-	-
From Stage 2 to Stage 3	*2*	-	(11,679)	11,679	-
From Stage 3 to Stage 1	*2*	51	-	(51)	-
From Stage 3 to Stage 2	*2*	-	1,849	(1,849)	-
Write-offs	*3*	(6,111)	(7,763)	(18,787)	(32,661)
Collections	*4*	(242,302)	(44,722)	(7,086)	(294,110)
Revenue	*5*	121,149	11,930	572	133,651
Other movements	*6*	6,974	88	1,156	8,218
At 29 February 2020		**60,346**	**34,602**	**25,998**	**120,946**
Loan loss provision account					
At 23 February 2019		**8,179**	**15,949**	**18,362**	**42,490**
Movements through income statement:					
New financial assets originated	*7*	31,747			31,747
Net transfers and changes in credit risk:					
From Stage 1 to Stage 2	*2*	(19,497)	22,263	-	2,766
From Stage 1 to Stage 3	*2*	(11,160)	-	14,148	2,988
From Stage 2 to Stage 1	*2*	401	(447)	-	(46)
From Stage 2 to Stage 3	*2*	-	(9,826)	9,826	-
From Stage 3 to Stage 1	*2*	10	-	(11)	(1)
From Stage 3 to Stage 2	*2*	-	1,142	(1,142)	-
Remeasurements within existing stage	*3*	2,310	(5,025)	(51)	(2,766)
Covid-19 overlay	*8*	1,134	461	75	1,670
Total movements through income statement		**4,945**	**8,568**	**22,845**	**36,358**
Other movements:					
Write-offs	*3*	(6,111)	(7,763)	(18,787)	(32,661)
Other movements:	*6*	2,097	133	(299)	1,931
Loan loss provision account at 29 February 2020		**9,110**	**16,887**	**22,121**	**48,118**
Reported amounts receivable from customers at 29 February 2020		**51,236**	**17,715**	**3,877**	**72,828**
Reported amounts receivable from customers at 23 February 2019		50,126	19,241	3,679	73,046

8. Trade and other receivables cont.

* References above indicate what each line of the table

demonstrates:

(1) New loans issued in the year
(2) Staging movements of new loans issued and existing debt brought forward
(3) Net write-offs per Stage
(4) Collections per Stage
(5) Revenue per Stage
(6) Other movements, including acquisitions
(7) Impairment provision associated with new loans issued in the year
(8) Covid-19 overlay

Group	**2019/20**			
Credit Risk Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Very Good	39,037	13,770	10,861	63,668
Good	18,918	17,492	10,230	46,640
Satisfactory	1,924	2,586	1,426	5,936
Lower Quality	467	754	3,481	4,702
Total	**60,346**	**34,602**	**25,998**	**120,946**

Internal credit risk rating reflects the internal credit risk grade of customers at the year end. The table above illustrates the split of the gross carrying value at the year end by the latest customer credit scores at the time of issue. Customers are re-scored if they decide to renew.

9. Deferred tax

	Group	
	29.2.20	**23.2.19**
	£'000	**£'000**
Fixed asset temporary differences	(165)	126
Other temporary differences	824	832
Deferred tax asset	**659**	**958**

	Group
	£'000
Balance as at 23 February 2019	958
IFRS16 adjustment	(32)
Accelerated Capital Allowances	
Deferred Tax charge in profit and loss account for period - CY	(95)
Deferred Tax charge in profit and loss account for period - PY	(30)
Deferred Tax rate change	10
Short Term Timing Differences	
Deferred Tax charge in profit and loss account for period - CY	(59)
Deferred Tax charge in profit and loss account for period - PY	30
Deferred Tax rate change	(7)
Intangibles	
Arising on acquisition	(64)
Deferred Tax charge in profit and loss account for period - CY	214
Deferred Tax charge in profit and loss account for period - PY	-
Deferred Tax rate change	(9)
Share based payments	
Deferred Tax charge in profit and loss account for period - CY	(184)
Deferred Tax charge in profit and loss account for period - PY	-
Deferred Tax rate change	19
Deferred Tax charge on Share-based payments	(96)
Recognised after inter-company transfer	4
Balance as at 29 February 2020	**659**

	Group
	£'000
Asset values for which deferred tax has not been recognised in relation to the Tax Written Down Value of intangible fixed assets which is not available to deduct against profits until the intangibles are realised.	**508**
Asset values for which deferred tax has not been recognised in relation to tax losses carried forward which are available to offset against future taxable profits from the same trade.	**46**
Total value of assets on which deferred tax has not been recognised	**554**

10. Bank and other borrowings: amounts falling due after 1 year

	Group	
	29.2.20	**23.2.19**
	£'000	**£'000**
Bank loans	34,000	14,500
Unamortised arrangement fees	(162)	(425)
	33,838	14,075

In November 2018 the Company signed a £10,000,000 loan facility to bring its total revolving credit facilities to £50,000,000. In addition, the Company also signed a £15,000,000 mezzanine facility of which £5,000,000 is committed and £10,000,000 is uncommitted. No fees were incurred in relation to these transactions and prior arrangement fees continue to be amortised over the life of the arrangements.

In April 2020 an extension of the funding arrangement from August 2020 to the end of November 2021 was signed with the incumbent lender consortium. The facility limit was reduced from £55m committed to £40m to better match the needs of the business post Covid-19. By reducing this unused headroom and repaying the £5m mezzanine layer, non-utilisation charges for any given level of borrowing will be reduced and therefore the overall cost of funding.

The bank loan is made up of a revolving credit facility held with Shawbrook Bank Limited, a major high-street bank and a private equity firm along with a mezzanine credit facility with the private equity firm. Under the terms of the loan covenants, the loan book is held as collateral against the funds borrowed. The net carrying value of the loan book at the reporting date was £72,827,727 (2019: £73,046,148).

11. Acquisitions

During the period the Company made a number of acquisitions. For each of the acquisitions detailed below the Company has undertaken an analysis of the fair value of the receivables acquired compared with the gross contractual amounts of the receivables book and the contractual cash flows not expected to be collected.

U Holdings Limited

As part of the Group's documented strategy of having a wide range of financial products available to its customers, on the 21 June 2019 Shelby Finance Limited (100% subsidiary of Morses Club PLC) acquired U Holdings Limited. The acquisition was carried out through the cash purchase of 100% of the shares of U Holdings Limited. The costs incurred in relation to this acquisition of £213,544 were expensed to the Income Statement through Administration expenses.

As per IFRS 3, a review was carried out to ensure the identification of assets and liabilities of U Holdings Limited is complete, and that measurements appropriately reflect consideration of all available information. A fair value exercise was performed and reflected in the financial statements. The valuation of assets and liabilities was performed under IFRS rules and the Company accounts consolidated into Group financial statements accordingly.

The value of the contingent consideration as stated per the agreement is subject to the future profit performance of U Holdings Limited and is capped at £5.0m. The value of the contingent consideration recognised at the date of acquisition is £2.78m. Management's current expectation is that the agreed financial

11. Acquisitions cont.

targets will be met. However, in future if the entity is not performing as expected the value of contingent consideration will be reviewed if required.

Shelby Finance Limited is expected to provide a good level of synergy as the nature of both businesses is similar. In this respect goodwill is recognised and tested for impairment under IFRS. All financial information in regard to the major financial components is presented in the table below.

U Holdings Limited incurred a loss of £2,326,000 for the 8 months from 21 June 2019 to the hive-up date. U Holdings limited has been the subject of significant organisational review since acquisition and these losses were expected. The focus has been on the integration of the new business alongside existing operations and process alignment. Revenue for the 8 months up to the hive-up was £739,731. Loss for the entire financial reporting period (i.e. pre- and post-acquisition) up to the hive-up date was £3,635,400 and the revenue was £1,161,366.

U Holdings Limited	**Book value £'000**	**adjustments £'000**	**Fair value £'000**
Non-current assets			
Intangible assets	2	377	379
Tangible fixed assets	126	-	126
Current assets			
Debtors	475	-	475
Total assets	603	377	980
Non-current liabilities			
Other creditors	(1,957)	1,195	(762)
Deferred tax	-	(64)	(64)
Total liabilities	(1,957)	1,131	(826)
Net assets	(1,354)	1,508	154

Goodwill arising on acquisition	**£'000**
Consideration transferred settled in cash	6,742
Fair Value of contingent consideration	2,781
Less net assets acquired	(154)
Goodwill	9,369

The value of the goodwill arising on the acquisition of U Holdings Limited has been revised downwards by £180,574 since the interim reporting period. This revision was due to the identification of a larger intangible asset balance and has been done within the prescribed 12-month retrospective timeframe.

The contingent consideration was payable 5 years after acquisition based on various performance targets and although management still expects to achieve these targets the contingent consideration has been released as the individuals qualifying for this have left the business during the year, and forgone this additional remuneration. See Note 2.

11. Acquisitions cont.

CURO Transatlantic Limited

On 26 February 2019 Shelby Finance Limited (a 100% subsidiary of Morses Club PLC) acquired the trade and assets of CURO Transatlantic Limited via a cash purchase. This acquisition is part of the Group's stated strategic priority to increase its online offering in response to a growing demand. The costs incurred in relation to this acquisition of £368,327 were expensed to the Income Statement in the period ending 23 February 2019 through Administration expenses. The valuation of goodwill was performed under IFRS3. This resulted in a positive value (goodwill) which was calculated as the difference between consideration against the net assets acquired. This was due to the business being placed in administration immediately prior to acquisition resulting in a purchase at a lower market value than perhaps would ordinarily have been the case. The measurement of goodwill is complete and reflects consideration of all available information.

As per IFRS 3, a review was carried out to ensure the identification of assets and liabilities of CURO Transatlantic Limited was complete, and that measurements appropriately reflect consideration of all available information. A fair value exercise was performed and reflected in the financial statements. The valuation of assets and liabilities was performed under IFRS rules and the Company accounts consolidated into Group financial statements accordingly.

The acquired assets of CURO Transatlantic Limited generated revenue of £4,333,482 and incurred a loan book impairment charge of £180,338 for the 12 months from 26 February 2019 to the reporting date, primarily due to collections on the acquired loan book.

Curo Transatlantic Limited	**Book value £'000**	**adjustments £'000**	**Fair value £'000**
Non-current assets			
Tangible fixed assets	409	-	409
Current assets			
Debtors	7,615	-	7,615
Total assets	8,024	-	8,024
Non-current liabilities			
Onerous lease	(183)	-	(183)
Total liabilities	(183)	-	(183)
Net assets	7,841	-	7,841

Goodwill arising on acquisition	**£'000**
Consideration transferred settled in cash	4,267
Fair Value of contingent consideration	3,701
Less net assets acquired	(7,841)
Goodwill	127

Upon acquisition, the gross contractual amounts receivable in respect of debtors were £21.5m, and a carrying value of £17.0m. The best estimate, based on a discounted cash recovery projection and using existing management data, resulted in an expectation that £9.6m of the contractual amounts would not be collected.

11. Acquisitions cont.

The contingent consideration in relation to CURO Transatlantic Limited was settled in full after acquisition and prior to the year end.

The bargain purchase recognised on the acquisition of Curo in the interim reporting period has been reversed and a goodwill balance of £127,000 has been recognised. This revision was due to an issue identified on transition to our operating systems and reduced the fair value of the loan book on acquisition. This has been done within the prescribed 12-month retrospective timeframe.

Acquisition Cash Flows

	£'000
U Holdings Limited	
Consideration transferred settled in cash	6,742
Overpayment held by solicitors	8
Consideration	6,750
Fair value of contingent consideration	2,781
Unwind of deferred consideration	344
Release of deferred consideration	(2,500)
Deferred consideration paid	625
CURO Transatlantic Limited	
Consideration transferred settled in cash	4,267
Consideration	4,267
Fair value of contingent consideration	3,701
Unwind of deferred consideration	165
Deferred consideration paid	3,866
Eccles	183
Hays	256
	439
Cash outflow	15,947

The operating profit from acquisitions disclosed in the Income Statement does not include an allocation of operating overheads.

12. Post balance sheet events

Since 29 February 2020 the impact of the Covid-19 pandemic has crystallised more fully than was known at the balance sheet date and has had adverse impacts across many business sectors including our own.

The first UK lockdown had a dramatic impact on the HCC business since 60% of repayments and 100% of new loans were made through face to face interactions with the customer. Both the HCC and Digital businesses were affected further by the rapid deterioration of a proportion of our customer base being able to make re-payments on their loans. Whilst many of our customer forbearance procedures already fell in line with new forbearance rules and guidelines issued by the FCA in early April 2020, these were now being required for a higher proportion of our customer base.

It was expected that the business would suffer in 3 ways as a result of Covid-19:

1. An increase in expected credit losses.

2. Reduced income from being able to forward flow non-paying debt to debt collection agencies.

3. Because revenue is fixed and is recognised over the expected contract life, deferred loan repayments lead to the same revenue having to be recognised over a longer period thus resulting in a reduction in revenue in the accounting period.

As at the signing date of these accounts we have a great deal of empirical evidence with which to assess the impact that Covid-19 has had on the business during the subsequent period.

1. For expected credit losses in HCC we have been able to compare actual debt write offs compared to the historical norms. This was calculated by looking at the actual write off in the first 26 weeks of FY21 of £16.0m and comparing it to last year's write off over the same period of £13.8m. Last year's number was adjusted down by reference to the relative loan book size in FY21 which is smaller than in FY20 to calculate the normal expected write off. With the Digital business we have less historical data but were able to look at the write off patterns of loan cohorts affected by the national lockdown in March and identify the abnormal level of write off. This was correlated with the write off in connection with customers that were reporting Covid-19 as the reason for their difficulty in making repayments.

2. At the year end we carried an asset of £752k for the likely future realisations from the onward sale of non-paying debt to debt collection agencies. Whilst we largely recovered the sum relating to Digital of £337k due to the sale of pre- Covid-19 debt, for HCC we have not been able to make any realisations and have no indication when we will be able to recommence the process. Since the onward value of a debt asset diminishes over time and we are still unable to sell it, we concluded that its value is impaired and should be valued at 35% of its year end value of £415k, resulting in a write down of £270k.

3. As expected, we have analysed customer behaviour post year end and seen the average loan repayment duration extend by up to 2 weeks leading to a loss of revenue. The full impact of this, were we to recognise it as a permanent behavioural shift, would be £822k.

12. Post balance sheet events cont.

The estimated impacts as at November 2020 are summarised in the table below (unaudited) (FY19:nil).

£'k	FY20
Increased expected credit losses	5,810
Loss of forward flow income	270
Extended loan lives	822
Total	6,902
Less: IFRS9 provision recognised in FY20	(1,670)
Net post balance sheet event	5,232

On 28 April the Group renewed its funding facility with its existing lenders until the end of November 2021. The facility size was reduced from £50m to £40m as a result of the lower cash requirement in a post Covid-19 economy.

Following issues with its parent company (Wirecard AG), the services provided to the Group by Wirecard UK were suspended by the FCA on 26th June 2020 and reinstated on 29th June 2020. As a result of this action, customers of the Group's U Account banking service were unable to access their funds during this period. The Group is replacing Wirecard as a supplier by Modulr Finance Limited during November 2020.

The directors are aware of a contingent liability in connection with a claim against Shelby Finance Limited ("Shelby"). This relates to the acquisition of U Holdings Limited which in turn had acquired certain assets of Ffrees Family Finance Limited (in Administration) ("FFFL"). The Administrator of FFFL has asserted that the acquisition of U Holdings by Shelby Finance Limited has triggered an anti-embarrassment clause in their sale document of FFFL to Shelby, and that a further sum of £850k is due to them.

The directors do not believe that the administrators of FFFL have a valid claim since they are basing it on wording that does not appear in the sale document. However, in a preliminary hearing held in July 2020, the Master determined that the contract could be re-written, and that Shelby Finance should place the disputed sum of £850k into an escrow account. Shelby Finance has appealed this decision, their legal advisors believe there to have been a material error on the part of the Master and remain confident that the claim is baseless. However, given the Master's initial verdict, there is a chance of the liability arising and therefore a contingent liability has been disclosed.

13. ALTERNATIVE PERFORMANCE MEASURES

This Annual Report and Financial Statements provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. To support this, we have included a reconciliation of the APMs we use where relevant and a glossary indicating the APMs that we use, an explanation of how they are calculated and why we use them.

13. ALTERNATIVE PERFORMANCE MEASURES cont.

APM	Closest Statutory Measure	Definition and Purpose
Impairment as % of Revenue (%)	None	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business and within the sector.
Agent Commission as % of Revenue (%)	None	Agent commission, which is included in cost of sales, divided by reported revenue. This calculation is used to measure operational efficiency and the proportion of income generated which is paid to agents
Cost/Income Ratio or Operating Cost ratio (%)	None	The cost-income ratio is cost of sales and administration expenses, excluding exceptional items, finance costs and amortisation divided by reported revenue. This is used as another efficiency measure of the Company's cost base.
Credit Issued (£m)	None	Credit issued is the principal value of loans advanced to customers and is an important measure of the level of lending in the business.
Sales Growth (%)	None	Sales growth is the period-on-period change in Credit Issued
Gross Profit before Covid-19 adjustment	Gross Profit	Gross Profit per the Income statement adjusted for the Covid-19 overlay. This is used to provide a measure of gross profit before the impact of Covid-19.
Statutory Profit Before Tax before Covid-19 adjustment	Profit Before Tax	Profit Before Tax per the Income statement adjusted for the Covid-19 overlay. This is used to provide a measure of business performance before the impact of Covid-19.
Normalised Adjusted Profit Before Tax (£m)	Profit Before Tax	Profit Before Tax per the Income statement adjusted for the Covid-19 impairment, exceptional items, non-recurring costs and amortisation of goodwill and acquisition intangibles. This is used to measure ongoing business performance.
Adjusted Profit Before Tax (£m)	Profit Before Tax	Profit Before Tax per the Income statement adjusted for exceptional items, non-recurring costs and amortisation of goodwill and acquisition intangibles. This is used to measure ongoing business performance.
Adjusted Profit Before Tax (underlying HCC)	Profit Before Tax	Profit Before Tax per the Income statement adjusted for exceptional items, non-recurring costs and amortisation of goodwill and acquisition intangibles, Territory Build subsidies and losses of Digital CGU.
Normalised Earnings Per Share	Earnings Per Share	Normalised Adjusted Profit After Tax divided by the weighted average number of shares. This gives a better reflection of underlying earnings generated for shareholders.
Adjusted Earnings Per Share	Earnings Per Share	Adjusted Profit After Tax divided by the weighted average number of shares. This gives a better reflection of underlying earnings generated for shareholders.

13. ALTERNATIVE PERFORMANCE MEASURES cont.

Reconciliation of Statutory profit before tax to Normalised Adjusted and Adjusted profit before tax and explanation of Normalised and Adjusted EPS

£'m (unless otherwise stated)	FY20 HCC	FY20 Digital	FY20 Total	FY19 HCC	FY19 Digital	FY19 Total	**Increase / (Decrease)**
Statutory Profit Before Tax	**21.2**	**(9.7)**	**11.5**	20.7	(0.5)	**20.2**	**(8.7)**
Covid-19 adjustment to impairment	1.7	0.0	1.7	0.0	0.0	0.0	1.7
Statutory Profit Before Tax before Covid-19 adjustment	**22.9**	**(9.7)**	**13.2**	**20.7**	**(0.5)**	**20.2**	**(7.0)**
Acquisition, restructuring and non-recurring costs	0.9	2.6	3.5	0.8	0.0	0.8	0.8
Exceptional gain[2]	0.0	(2.3)	(2.3)	0.0	0.0	0.0	0.0
Amortisation of acquisition intangibles[3]	0.8	0.4	1.2	1.0	0.0	1.0	1.0
Normalised Adjusted Profit Before Tax[1]	**24.5**	**(9.0)**	**15.5**	**22.5**	**(0.5)**	**22.0**	**(6.5)**
Covid-19 adjustment to impairment	(1.7)	0.0	(1.7)	0.0	0.0	0.0	(1.7)
Adjusted Profit Before Tax[1]	**22.8**	**(9.0)**	**13.8**	**22.5**	**(0.5)**	**22.0**	**(8.2)**
Tax on Adjusted Profit Before Tax	(2.4)	(0.4)	(2.8)	(4.5)	0.1	(4.4)	1.6
Adjusted Profit After Tax	**20.4**	**(9.4)**	**11.0**	**18.0**	**(0.4)**	**17.6**	**(6.6)**
Statutory EPS[1]			7.3			12.5p	(5.2p)
Normalised EPS[1]			9.5			13.6p	(4.1p)
Adjusted EPS[1]			8.4			13.6p	(5.2p)
Statutory Return on Assets[1]	27.5%		**12.8%**			**23.4%**	
Normalised Return on Assets[1]	31.1%		**16.6%**			**25.4%**	
Adjusted Return on Assets[1]	29.3%		**14.8%**			**25.4%**	
Statutory Return on Equity[1]	30.1%		**17.2%**			**27.2%**	
Normalised Return on Equity[1]	34.1%		**22.3%**			**29.6%**	
Adjusted Return on Equity[1]	32.1%		**19.9%**			**29.6%**	

1 Definitions are set out in the Glossary of Alternative Performance Measures on Pages 136 to 139 of the Annual Report and Accounts

2 Release of contingent consideration in relation to the U Holdings Limited acquisition

13. ALTERNATIVE PERFORMANCE MEASURES cont.

	53 weeks ended 29.2.20 £'000	52 weeks ended 23.2.19 £'000
Adjusted basic earnings per share		
Basic earnings	9,477	16,175
Amortisation of acquisition intangibles	1,222	1,025
Non-recurring (income)/costs	2,822	790
Tax effect of the above	(1,180)	(345)
Normalised Adjusted earnings after tax	**12,341**	**17,645**
Covid-19 adjustments to impairment	(1,669)	-
Tax effect of the above	317	
Adjusted earnings	**10,989**	**17,645**
Weighted average number of shares for the purposes of basic earnings per share ('000s)	130,531	129,570
Normalised Adjusted earnings per share amount (pence)	**9.5p**	**13.6p**
Adjusted earnings per share amount (pence)	**8.4p**	**13.6p**

13. ALTERNATIVE PERFORMANCE MEASURES cont.

APM	Closest Statutory Measure	Definition and Purpose
Balance sheet and returns measures		
Tangible Equity (£m)	Equity	Net Assets less intangible assets less acquisition intangibles.
Normalised Return on Equity (%)	None	Calculated as normalised adjusted profit after tax divided by rolling 12-month average of tangible equity. This calculation has been adjusted to an IFRS 9 basis. It is used as a measure of overall shareholder returns adjusted for exceptional items. This is presented within the interim report as the Directors believe they are more representative of the underlying operations of the business
Adjusted Return on Equity (%)	None	Calculated as adjusted profit after tax divided by rolling 12-month average of tangible equity. This calculation has been adjusted to an IFRS 9 basis. It is used as a measure of overall shareholder returns adjusted for exceptional items. This is presented within the interim report as the Directors believe they are more representative of the underlying operations of the business
Normalised Return on Assets (%)	None	Calculated as normalised adjusted profit after tax divided by 12-month average Net Loan Book. This calculation has been adjusted to an IFRS 9 basis. It is used as a measure of profitability generated from the loan book. Net Loan Book is Amounts owing from customers less provisions for deferred income and impairments. This is presented within the interim report as the Directors believe they are more representative of the underlying operations of the business
Adjusted Return on Assets (%)	None	Calculated as adjusted profit after tax divided by 12-month average Net Loan Book. This calculation has been adjusted to an IFRS 9 basis. It is used as a measure of profitability generated from the loan book. Net Loan Book is Amounts owing from customers less provisions for deferred income and impairments. This is presented within the interim report as the Directors believe they are more representative of the underlying operations of the business
Tangible Equity/Average Receivables Ratio (%)	None	Net Assets less intangible assets less acquisition intangibles divided by 12-month average receivables. This calculation has been adjusted to an IFRS 9 basis.

13. ALTERNATIVE PERFORMANCE MEASURES cont.

Adjusted Return on Assets and Adjusted Return on Equity £'m	**53 weeks ended 29.2.20 FY20**	**52 weeks ended 23.2.19 FY19**
Normalised Adjusted Profit After Tax (Rolling 12 months)	12.3	17.6
Adjusted Profit After Tax (Rolling 12 months)	11.0	17.6
12 month average Net Loan Book	74.3	69.3
Normalised Adjusted Return on Assets	16.62%	25.40%
Adjusted Return on Assets	14.80%	25.40%
12 month average Equity	55.3	59.5
Normalised Adjusted Return on Equity	22.33%	29.60%
Adjusted Return on Equity	19.88%	29.60%

Other measures	**Closest Statutory Measure**	**Definition and Purpose**
Customers	None	Customers who have an active loan and from whom we have received a payment of at least £3 in the last 17 weeks.
Agents	None	Agents are self-employed individuals who represent the Group’s subsidiaries and are engaged under an agency agreement.
Cash from Operations (excluding investment in loan book) (£m)	Cash from Operations	Cash from Operations (excluding investment in the loan book) is Cash from Operations excluding the growth in the loan book due to either acquisition or movement in the net receivable otherwise
Adjusted Net Margin	None	Adjusted Profit before tax (which excludes amortisation of intangibles on acquisitions, the one-off costs of the IPO and other non-operating costs) divided by reported revenue. This is used to measure overall efficiency and profitability.
Cash from Funding (£m)	None	Cash from Funding is the increase/(decrease) in the Bank Loan balance